

**REPORT OF THE AUDIT OF THE
CAMPBELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

The enclosed report prepared by Ray, Foley, Hensley & Company, PLLC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Ray, Foley, Hensley & Company, PLLC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Ray, Foley, Hensley & Company, PLLC evaluated Campbell County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT

JUNE 30, 2011

Ray, Foley, Hensley & Company, PLLC has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2011.

We have issued an unqualified opinion, based on our audit, on the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the financial statements of Campbell County Fiscal Court, Campbell County, Kentucky.

In accordance with OMB Circular 133, we have also issued an unqualified opinion on the compliance requirements that are applicable to Campbell County Fiscal Court's major federal programs: U.S. Department of Housing and Urban Development Housing Choice Voucher Program (CFDA #14.871) and U.S. Department of Energy, Energy Efficiency and Conservation Block Grant (CFDA #81.128) for the year ended June 30, 2011.

Financial Condition:

The fiscal court had total net assets of \$36,463,792 at June 30, 2011. The fiscal court had unrestricted net assets of \$12,542,747 in its governmental activities as of June 30, 2011 with total net assets of \$35,158,471. In its business-type activities, total net cash and cash equivalents were \$239,039 with total net assets of \$1,305,231. The fiscal court had total debt principal as of June 30, 2011 of \$21,580,000 with \$1,240,000 due within the next year.

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
CAMPBELL COUNTY OFFICIALS.....	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
STATEMENT OF NET ASSETS	17
STATEMENT OF ACTIVITIES.....	20
BALANCE SHEET - GOVERNMENTAL FUNDS	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	28
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	33
STATEMENT OF NET ASSETS - PROPRIETARY FUND	36
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	41
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	45
STATEMENT OF FIDUCIARY FUND NET ASSETS	49
NOTES TO FINANCIAL STATEMENTS	51
BUDGETARY COMPARISON SCHEDULES	75
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	80
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	74
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS	77
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS	82
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	86
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	87
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	90
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	94
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	98
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

To the People of Kentucky
Honorable Steven L. Beshear, Governor
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Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of some entities that collectively comprise Campbell County Fiscal Court. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of other auditors. Those entities were:

Certain portions of the Governmental Funds including:

- Major Special Revenue Fund-Campbell County, Kentucky Fiscal Court Housing Department Housing Choice Voucher Program.
- Major Debt Service Fund-Campbell County Public Properties Corporation.

Certain portions of the Proprietary Funds including:

- Major Proprietary Fund-Lakeside Terrace Apartments HUD Project No. 083-44012-236
- Major Proprietary Fund-A.J. Jolly Park

Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

Government-Wide Financial Statements	Percent of Assets	Percent of Revenues
Primary Government-Governmental Activities	1.19%	11.91%
Primary Government-Business-Type Activities	96.22%	87.51%
Fund Financial Statements		
Governmental Funds-Major Funds	5.15%	11.91%
Proprietary Funds-Major Funds	96.22%	87.51%

To the People of Kentucky
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The county has implemented Government Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 14 and 65 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campbell County, Kentucky's financial statements as a whole. The combining fund financial statements and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2011, on our consideration of Campbell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
December 20, 2011

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Steve Pendery	County Judge/Executive
Brian Painter	Commissioner
Kenneth L. Rehtin	Commissioner
Pete Garrett	Commissioner

Other Elected Officials:

Steven J. Franzen	County Attorney
Greg Buckler	Jailer
Jack Snodgrass	County Clerk
Taunya Nolan Jack	Circuit Court Clerk
John Dunn	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

Appointed Personnel:

Diane E. Bertke	County Treasurer
Linda Eads	Occupational Tax Collector
James Seibert	Finance Officer

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011**

The financial management of Campbell County, Kentucky offers readers of Campbell County's financial statements this narrative overview and analysis of the financial activities of Campbell County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with other information that we may have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Campbell County had net assets of \$36,463,792 as of June 30, 2011. The fiscal court had unrestricted net assets of \$12,542,747 in its governmental funds as of June 30, 2011. In its enterprise fund, cash and cash equivalents were \$239,039 with total net assets of \$1,305,231. Total debt principal as of June 30, 2011 was \$21,580,000 with \$1,240,000 due within one year.
- The government's total net assets decreased by \$93,000 from the prior year. Total expenses for the current fiscal year declined by 9.3% due in large part to a reduction in capital expenditures in the non-major fund category. Meanwhile total revenues decreased by 1.3% during the year mostly due to a drop in subsidies received for the new administration building.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$12,592,253. Of this amount, \$11,364,600 is available for spending at the government's discretion (assigned and unassigned fund balance).
- Campbell County's total indebtedness at the close of fiscal year on June 30, 2011 was \$21,580,000 of which \$20,340,000 is long-term debt (due after 1 year) and \$1,240,000 is short-term debt (to be paid within 1 year). There were no new debt additions during the fiscal year. Debt reductions were \$1,395,000 for the year. Campbell County had capital project expenditures amounting to \$665,262 during fiscal year 2011.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Campbell County's basic financial statements. Campbell County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Overview of the Financial Statements (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Campbell County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Campbell County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Campbell County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Campbell County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has several business type activities: A.J. Jolly Park, Lakeside Terrace Apartments and the Housing Choice Voucher Program.

The government-wide financial statements include not only Campbell County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Campbell County has four such entities: A.J. Jolly Park, Lakeside Terrace Apartments, the Housing Choice Voucher Program and the Campbell County Public Properties Corporation. These are known as blended component units.

Government-wide Financial Statements

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Campbell County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Campbell County can be divided into two broad categories: *governmental funds and proprietary funds*.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Government-wide Financial Statements (Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Campbell County maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail, and (TANK) Payroll Tax, the Housing Choice Voucher Program and the Debt Service Public Properties Corporation funds, all of which are considered major funds by the County. The Local Government Economic Assistance, Senior Citizen Tax, Mental Health Tax, and the Developer Road Escrow fund are considered non-major funds and are represented in a combined form.

Campbell County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Lakeside Terrace Apartments and A.J. Jolly funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Government-wide Financial Analysis (Continued)

**Table 1
Campbell County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets	\$13,372,080	\$12,704,630	\$142,104	\$67,848	\$13,514,184	\$12,772,478
Capital assets	43,820,416	45,795,522	1,310,954	1,360,816	45,131,370	47,156,338
Other assets	300,668	390,851	17,013	27,985	317,681	418,836
Total assets	57,493,164	58,891,003	1,470,071	1,456,649	58,963,235	60,347,652
Liabilities						
Current and other liabilities	1,945,187	1,989,438	152,154	154,914	2,097,341	2,144,352
Long-term liabilities	20,389,506	21,629,323	12,596	17,185	20,402,102	21,646,508
Total liabilities	22,334,693	23,618,761	164,750	172,099	22,499,443	23,790,860
Net Assets						
Invested in capital assets, net						
of related debt	22,615,724	23,288,900	1,327,967	1,360,816	23,943,691	24,649,716
Restricted			536,872	10,800	536,872	10,800
Unrestricted	12,542,747	11,983,342	(559,518)	(87,066)	11,983,229	11,896,276
Total net assets	\$35,158,471	\$35,272,242	1,305,321	\$1,284,550	\$36,463,792	\$36,556,792

Changes in Net Assets

Governmental Activities. Campbell County's net assets decreased by \$113,771 in fiscal year 2011. Key elements of this are as follows:

- Current assets and cash increased by \$667,450. This was primarily due to a reduction in expenditures during the fiscal year. In addition, some federal funds were received for projects that were to be completed during the next fiscal year.
- Investment in capital assets, net of related debt decreased by \$673,176. This was due to the fact that no large capital assets were added while older assets depreciated in value.
- Current and long-term liabilities decreased by \$1,284,068 as a result of debt service payments made during the fiscal year.
- Revenues were \$33,500,469 as reflected in the Statement of Revenues and Expenditures.
- Expenditures totaled \$33,614,240 as reflected in the Statement of Activities.

Business-type Activities. Campbell County's net assets for these activities increased by \$20,771.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

**Table 2
Campbell County Condensed Statement of Activities**

	2011	2010	2011	2010	2011	2010
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Revenues:						
Program Revenues:						
Charges for Services	\$303,546	\$675,643	1,397,182	\$1,312,476	\$1,700,728	\$1,988,119
Operating Grants and Contributions	10,603,832	10,652,198			10,603,832	10,652,198
Capital Grants and Contributions						
General Revenues:						
Property Taxes	7,645,940	7,181,507			7,645,940	7,181,507
Occupational Taxes	8,857,584	8,518,144			8,857,584	8,518,144
Other Taxes	2,557,974	2,303,447			2,557,974	2,303,447
Excess Fees	1,502,843	824,048			1,502,843	824,048
Other	2,028,750	4,068,944			2,028,750	4,068,944
Total Revenues	33,500,469	34,223,931	1,397,182	1,312,476	34,987,651	35,536,407
Expenses:						
Governmental Activities						
General Government	8,990,902	4,898,035			8,990,902	4,898,035
Protective Services	8,940,609	8,837,165			8,940,609	8,837,165
Health and Sanitation	1,142,268	1,167,685			1,142,268	1,167,685
Social Services	4,718,242	4,666,918			4,718,242	4,666,918
Recreation and Culture	658,749	454,794			658,749	454,794
Roads	2,929,735	2,515,664			2,929,735	2,515,664
Bus Service	4,581,201	4,582,671			4,581,201	4,582,671
Debt Service	987,272	1,327,100			987,272	1,327,100
Capital Projects Administration	665,262	4,352,935			665,262	4,352,935
Business Type Activities						
Jail Canteen			120,945	135,445	120,945	135,445
Lakeside Terrace Apts.			316,939	377,086	316,939	377,086
A.J. Jolly Park			938,527	916,196	938,527	916,196
Total Expenses	33,614,240	32,802,967	1,376,411	1,428,727	34,990,651	34,231,694
Change in net assets	(113,771)	1,420,964	20,711	(116,251)	(93,000)	1,304,713
Net Assets-Beginning (Restated)	35,272,242	33,851,278	1,284,550	1,400,801	36,556,792	35,252,079
Net Assets-Ending	\$35,158,471	\$35,272,242	1,305,321	\$1,284,550	\$36,463,792	\$36,556,792

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Financial Analysis of the County's Funds

As noted earlier, Campbell County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Campbell County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2011 fiscal year, the combined ending fund balance of County governmental funds was \$12,592,253. As described in Note 1 to the financial statements, Campbell County changed accounting policies related to fund balance reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in 2011. The change resulted in a more detailed classification of governmental fund balances as reported on the governmental balance sheet.

The County has 6 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) (TANK) Payroll Tax Fund; 5) Housing Choice Voucher Fund and; 6) Public Properties Corporation. There are four non-major funds. They are the Developers Road Escrow Fund, the Local Government Economic Assistance Fund, the Senior Citizen Tax Fund and the Mental Health Tax Fund.

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2011 fiscal year the total fund balance of the General Fund was \$5,354,544, all of which was unassigned. During fiscal year 2011 there was an increase of \$64,982 from the prior year-end general fund balance. The county received \$6,387,824 in Real Property tax revenues. This accounts for approximately 47% of the general fund revenue. \$3,816,090 was received from personal property, motor vehicle and insurance taxes which account for approximately 28% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$1,502,843 or 11% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 14% of revenues.
2. The Road and Bridge Fund is the fund related to county road and bridge construction and maintenance. The Road and Bridge Fund had \$274,659 in fund balance at June 30, 2011. The fund balance at the end of the previous year was \$210,423. The higher FY 2011 fund balance was due mainly to the timing of road expenditures. The fiscal year 2011 expenditures for road projects were \$1.5 million. State funding provided a total of \$904,084 in funding for road projects during the fiscal year. Transfers from the general fund provided nearly all of the remaining funding requirement.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Financial Analysis of the County's Funds (Continued)

3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2011 of \$686,176. That is an increase in fund balance of \$107,207 from the previous fiscal year-end. The Jail Fund received \$4,181,473 from the state and federal governments for services, primarily for housing prisoners. Transfers from other funds were used to cover a total of \$3,744,189 in jail expenses.
4. The (TANK) Payroll Tax Fund is used in part to provide funds for the operation of the regional transit system. As of June 30, 2011 the balance in this fund was \$4,847,629. This represented an increase in the fund balance of \$292,727 from the previous year-end. This increase in fund balance was due to higher revenues and lower transfers out of the fund during the FY 2011 year.
5. The Housing Choice Voucher Program ended the 2011 fiscal year with a fund balance of \$546,500. The previous year balance was \$578,420. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).
6. The Public Properties Corporation Fund serves as a conduit for the financing of various County projects. Thus bonds and refunding bonds have been issued through this Corporation. The fund balance at the end of June 30, 2011 was \$83,736. The June 30, 2010 ending fund balance was \$88,684.
7. The total fund balance for the non-major funds as of June 30, 2011 was \$799,009. This represented an increase over the prior year of \$ 67,304. Total expenditures for the non-major funds for the year were \$1,210,240. Revenue sources for the non-major funds include occupational license and payroll taxes designated for senior citizens and mental health programs in the County. The Senior Citizen program revenues for the year from this source amounted to \$422,015. Mental Health program revenues were \$841,944 for the year. A total of \$134,000 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Campbell County has three enterprise funds, the Lakeside Terrace Apartments, A.J. Jolly Park and the Jail Canteen.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Financial Analysis of the County's Funds (Continued)

1. Lakeside Terrace Apartments had net assets of \$444,521 as of June 30, 2011 with a cash balance of \$18,016. Most of the revenue for this fund is derived from tenant payments. During fiscal year 2011 these tenant payments for rent amounted to \$214,345. Federal payments into this fund for tenant assistance amounted to \$52,180.
2. A.J. Jolly Park net assets at June 30, 2011 amounted to \$695,980 with a cash balance of \$67,145. The majority of the Park's assets consisted of capital assets such as land and land improvements for the golf and general recreation facility. Net capital assets for Jolly amounted to \$689,281 at the fiscal year-end. Revenues for the golf course amounted to \$726,556 and were derived from user fees.
3. The Jail Canteen Fund had net assets of \$164,820 as of June 30, 2011 with a cash balance of \$153,878. Most of the revenue for this fund is derived from sales to County Jail inmates and the expenses are purchases of items for resale as well as the salary of the canteen clerk.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year increasing the operating budget. Budget amendments were made to the General to adjust for the receipt of various unanticipated revenues and related expenses.

Actual operating revenues were \$151,389 more than the budget amended by the Fiscal Court. This increase was primarily due to higher tax revenues than anticipated in the budget.

Actual operating expenditures were \$1,279,611 less than the budget amended by the Fiscal Court. This was primarily due to less than anticipated cost in the general government, road and jail funds.

Capital Assets and Debt Administration

Capital Assets. Campbell County's investment in capital assets for its government and business type activities as of June 30, 2011, amounted to \$45,131,370 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure assets. The County has elected to report infrastructure assets per GASB 34 provisions.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Capital Assets and Debt Administration (Continued)

Major capital asset events during the 2011 fiscal year included building improvements as a result of a federal energy efficiency grant, the purchase of several new police cruisers, replacement of computer hardware and software and replacement of other aging County equipment.

Additional information on the County's capital assets can be found in Note 4 of this report.

Table 3
Campbell County's Capital Assets, Net of Accumulated Depreciation

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Infrastructure Assets	\$9,599,160	\$10,993,331			\$9,599,160	\$10,993,331
Land	3,860,187	3,860,187	497,462	\$497,462	4,357,649	4,357,649
Construction In Process & Bldgs. & Improvmts.	28,239,297	28,487,514	634,427	863,354	28,873,724	29,350,868
Other Equip.	1,447,512	1,604,012	179,065		1,626,577	1,604,012
Vehicles & Equip.	774,260	850,478			774,260	850,478
	<u>\$43,920,416</u>	<u>\$45,795,522</u>	<u>\$1,310,954</u>	<u>\$1,360,816</u>	<u>\$45,231,370</u>	<u>\$47,156,338</u>

Long-Term Debt. At the end of the 2011 fiscal year, Campbell County had total bonds payable of \$21,580,000. The amount of this debt due within the next year is \$1,240,000 and \$20,340,000 is due in subsequent years. This debt is for the district court facilities, the County Administration Building, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 7 of the notes to the financial statements.

Other matters

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2011 fiscal year budget:

- The 2012 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Other Matters (Continued)

- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a drain on the overall budget. The County is considering a number of measures to address this problem, which is common to county governments throughout the state.
- Despite a recent trend toward improvement, the economic downturn in the country has had an impact on employment and business tax revenues that are needed to fund County operations. The County continues to reduce costs and increase revenues wherever possible in an effort to meet this challenge

Requests for Information

This financial report is designed to provide a general overview of Campbell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 1098 Monmouth St. Newport, KY 41071.

**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2011

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,171,105	\$ 239,039	\$ 8,410,144
Accounts Receivable	5,012,385	16,018	5,028,403
Prepaid Expenses		997	997
Notes/Capital Lease Receivable			
Due Within One Year	74,640		74,640
Internal Balances	113,950	(113,950)	
Total Current Assets	13,372,080	142,104	13,514,184
Noncurrent Assets:			
Notes/Capital Lease Receivable			
Due After One Year	76,594		76,594
Bond Issuance Costs, Net	79,516		79,516
Discount on Bond, Net	144,558		144,558
Tenant Deposits Held in Trust		12,596	12,596
Residual Receipts		3,871	3,871
Replacement Reserve		546	546
Capital Assets - Net of Accumulated Depreciation			
Land	3,860,187	497,462	4,357,649
Land Improvements	521,750	323,963	845,713
Construction in Progress	16,588		16,588
Buildings	27,600,959	310,464	27,911,423
Portable Building Equipment		66,878	66,878
Equipment for Tenant Use		11,713	11,713
Furnishings		6,014	6,014
Office Furniture and Equipment		237	237
Maintenance Equipment		1,508	1,508
Golf Equipment		88,377	88,377
Clubhouse Furniture and Fixtures		4,338	4,338
Other Equipment	1,447,512		1,447,512
Vehicles and Equipment	774,260		774,260
Infrastructure Assets - Net of Accumulated Depreciation	9,599,160		9,599,160
Total Noncurrent Assets	44,121,084	1,327,967	45,449,051
Total Assets	\$ 57,493,164	\$ 1,470,071	\$ 58,963,235

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2011
(Continued)

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 328,199	\$ 40,308	\$ 368,507
Family Self Sufficiency Escrow Payable	11,600		11,600
Accrued Liabilities		36,046	36,046
Accrued Salaries and Payroll Taxes	365,388	3,870	369,258
Accounts Payable - Project Improvement		71,930	71,930
Bonds Payable	1,240,000		1,240,000
Total Current Liabilities	<u>1,945,187</u>	<u>152,154</u>	<u>2,097,341</u>
Noncurrent Liabilities:			
Tenant Security Deposits		12,596	12,596
Bonds Payable	20,340,000		20,340,000
Compensated Absences	49,506		49,506
Total Noncurrent Liabilities	<u>20,389,506</u>	<u>12,596</u>	<u>20,402,102</u>
Total Liabilities	<u>22,334,693</u>	<u>164,750</u>	<u>22,499,443</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	22,615,724	1,327,967	23,943,691
Restricted		536,872	536,872
Unrestricted	<u>12,542,747</u>	<u>(559,518)</u>	<u>11,983,229</u>
Total Net Assets	<u>\$ 35,158,471</u>	<u>\$ 1,305,321</u>	<u>\$ 36,463,792</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2011

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2011

		Program Revenues Received	
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 8,990,902	\$ 45,872	\$ 1,229,284
Protection to Persons and Property	8,940,609	218,825	4,181,473
General Health and Sanitation	1,142,268		
Social Services	4,718,242	2,694	4,001,056
Recreation and Culture	658,749		
Roads	2,929,735		904,084
Bus Service	4,581,201		287,935
Debt Service	987,272	36,155	
Capital Projects	665,262		
Total Governmental Activities	33,614,240	303,546	10,603,832
Business-type Activities:			
Lakeside Terrace Apartments	316,939	270,098	
A.J. Jolly Park	938,527	952,578	
Jail Canteen	120,945	174,506	
Total Business-type Activities	1,376,411	1,397,182	
Total	\$ 34,990,651	\$ 1,700,728	\$ 10,603,832

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes and Licenses
 Occupational Taxes
 Other Taxes
 Excess Fees
 Unrestricted Investment Earnings
 Miscellaneous Revenues

 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning

 Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (7,715,746)	\$	\$ (7,715,746)
(4,540,311)		(4,540,311)
(1,142,268)		(1,142,268)
(714,492)		(714,492)
(658,749)		(658,749)
(2,025,651)		(2,025,651)
(4,293,266)		(4,293,266)
(951,117)		(951,117)
(665,262)		(665,262)
(22,706,862)		(22,706,862)
	(46,841)	(46,841)
	14,051	14,051
	53,561	53,561
	20,771	20,771
\$ (22,706,862)	\$ 20,771	\$ (22,686,091)
6,387,824		6,387,824
581,577		581,577
676,539		676,539
8,857,584		8,857,584
2,557,974		2,557,974
1,502,843		1,502,843
10,455		10,455
2,018,295		2,018,295
22,593,091		22,593,091
(113,771)	20,771	(93,000)
35,272,242	1,284,550	36,556,792
\$ 35,158,471	\$ 1,305,321	\$ 36,463,792

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2011

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 4,417,208	\$ 54,976	\$ 136,688	\$ 2,463,416
Accounts Rec - Taxes	582,482			2,096,278
Accounts Rec - Excess Fees	394,389			
Accounts Rec - Intergov Rev.	83,991	276,795	702,058	287,935
Accounts Rec - Charges for Services			9,803	
Accounts Rec - Miscellaneous	159,221		19,991	
Accounts Receivable - Other				
Restricted Cash-Family Self-Sufficiency Escrow Due From				
Lakeside Terrace Apartments Fund	113,950			
Total Assets	<u>5,751,241</u>	<u>331,771</u>	<u>868,540</u>	<u>4,847,629</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	220,496	22,284	57,899	
Accounts Payable - HUD				
Family Self-Sufficiency Escrow Payble				
Accrued Salaries and Payroll Taxes	<u>176,201</u>	<u>34,828</u>	<u>124,465</u>	
Total Liabilities	<u>396,697</u>	<u>57,112</u>	<u>182,364</u>	
FUND BALANCES				
Restricted For:				
Roads				
Committed To:				
Bus Service				1,074,651
Assigned To:				
Roads		274,659		
Protection to Persons and Property			686,176	
Bus Service				3,772,978
Social Services				
Debt Service				
General Health and Sanitation				
Unassigned	<u>5,354,544</u>			
Total Fund Balances	<u>5,354,544</u>	<u>274,659</u>	<u>686,176</u>	<u>4,847,629</u>
Total Liabilities and Fund Balances	<u>\$ 5,751,241</u>	<u>\$ 331,771</u>	<u>\$ 868,540</u>	<u>\$ 4,847,629</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 559,627	\$ 83,736	\$ 455,454	\$ 8,171,105
		358,650	3,037,410
			394,389
			1,350,779
			9,803
			179,212
29,192			29,192
11,600			11,600
			113,950
<u>600,419</u>	<u>83,736</u>	<u>814,104</u>	<u>13,297,440</u>
667		10,904	312,250
15,949			15,949
11,600			11,600
25,703		4,191	365,388
<u>53,919</u>		<u>15,095</u>	<u>705,187</u>
		153,002	153,002
			1,074,651
			274,659
			686,176
			3,772,978
546,500		286,802	833,302
	83,736		83,736
		359,205	359,205
			5,354,544
<u>546,500</u>	<u>83,736</u>	<u>799,009</u>	<u>12,592,253</u>
<u>\$ 600,419</u>	<u>\$ 83,736</u>	<u>\$ 814,104</u>	<u>\$ 13,297,440</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011
(Continued)

Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 12,592,253
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Certain Receivables Reported In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds	
Notes Receivable: One Year	74,640
Notes Receivable: More than One Year	76,594
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	80,731,871
Accumulated Depreciation	(36,911,455)
Bond Issuance Costs Reported in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds	79,516
Discount on Bond Reported in Governmental Activities Is Not Financial Resource And Therefore Is Not Reported in the Funds	144,558
Long-term Liabilities Are Not Due And Payable In The Current Period And, Therefore, Are Not Reported In The Funds.	
Due within One Year - Bonds, Notes, and Other Principal Payments	(1,240,000)
Due in More than One Year - Bonds, Notes, and Other Principal Payments	(20,340,000)
Compensated Absences	(49,506)
Net Assets Of Governmental Activities	<u>\$ 35,158,471</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2011

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2011

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
REVENUES				
Taxes	\$ 10,203,914	\$	\$	\$ 7,593,625
In Lieu of Tax Payments				
Excess Fees	1,502,843			
Licenses and Permits	129,331			
Intergovernmental	1,099,953	904,084	4,181,473	287,935
Charges for Services	45,872		218,825	
Miscellaneous	1,629,384	39,444	286,010	6,454
Interest	6,232	151	222	2,586
Total Revenues	<u>14,617,529</u>	<u>943,679</u>	<u>4,686,530</u>	<u>7,890,600</u>
EXPENDITURES				
General Government	3,403,177			54,462
Protection to Persons and Property	2,940,311		5,493,110	
General Health and Sanitation	430,551			
Social Services	652,315			
Recreation and Culture	562,513			
Roads		1,546,256		
Bus Service				4,581,201
Debt Service	939,514	89,311	930,552	
Capital Projects	554,216	108,772		
Administration	2,977,795	435,104	1,700,170	12,210
Total Expenditures	<u>12,460,392</u>	<u>2,179,443</u>	<u>8,123,832</u>	<u>4,647,873</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,157,137</u>	<u>(1,235,764)</u>	<u>(3,437,302)</u>	<u>3,242,727</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	1,805,000	1,300,000	3,744,189	
Transfers To Other Funds	(3,897,155)		(199,680)	(2,950,000)
Total Other Financing Sources (Uses)	<u>(2,092,155)</u>	<u>1,300,000</u>	<u>3,544,509</u>	<u>(2,950,000)</u>
Net Change in Fund Balances	64,982	64,236	107,207	292,727
Fund Balances - Beginning	5,289,562	210,423	578,969	4,554,902
Fund Balances - Ending	<u>\$ 5,354,544</u>	<u>\$ 274,659</u>	<u>\$ 686,176</u>	<u>\$ 4,847,629</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$ 1,263,959	\$ 19,061,498
			1,502,843
			129,331
3,916,841		84,215	10,474,501
	36,155	2,694	303,546
35,800		21,203	2,018,295
588	203	473	10,455
<u>3,953,229</u>	<u>36,358</u>	<u>1,372,544</u>	<u>33,500,469</u>
413,416		7,743	3,878,798
			8,433,421
		703,206	1,133,757
3,569,459		443,540	4,665,314
			562,513
		7,606	1,553,862
			4,581,201
	328,800	16,568	2,304,745
2,274			665,262
	5,152	31,577	5,162,008
<u>3,985,149</u>	<u>333,952</u>	<u>1,210,240</u>	<u>32,940,881</u>
<u>(31,920)</u>	<u>(297,594)</u>	<u>162,304</u>	<u>559,588</u>
	292,646	60,000	7,201,835
		(155,000)	(7,201,835)
	<u>292,646</u>	<u>(95,000)</u>	
(31,920)	(4,948)	67,304	559,588
578,420	88,684	731,705	12,032,665
<u>\$ 546,500</u>	<u>\$ 83,736</u>	<u>\$ 799,009</u>	<u>\$ 12,592,253</u>

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2011

CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 559,588

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay Expenditures	655,206
Depreciation Expense	(2,630,312)

Receipt from Extension For Bond Payment

(77,528)

Certain revenues are recorded in the funds; however, they decrease liabilities at the government-wide level and are not reported on the Statement of Activities.

Some expenses reported on the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Compensated Absences	(182)
--------------------------------	-------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of Long Term Debt Pincipal	1,395,000
Amortization of Bond Issuance Costs and Bond Discount	(15,543)

Change in Net Assets of Governmental Activities	\$ (113,771)
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The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2011

CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2011

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 18,016	\$ 67,145	\$ 153,878	\$ 239,039
Accounts Receivable	348		15,670	16,018
Prepaid Expenses	997			997
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	19,361	67,145	169,548	256,054
	<hr/>	<hr/>	<hr/>	<hr/>
Noncurrent Assets:				
Tenant Deposits Held in Trust	12,596			12,596
Residual Receipts	3,871			3,871
Replacement Reserve	546			546
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Deposits	17,013			17,013
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets:				
Land		497,462		497,462
Land Improvements	268,340	688,820		957,160
Buildings and Depreciable Land Improvements	1,808,158	140,704		1,948,862
Building Equipment - Portable	149,831			149,831
Equipment for Tenant Use	84,858			84,858
Furnishings	45,713			45,713
Office Furniture and Equipment	8,482			8,482
Furniture and Fixtures		106,097		106,097
Maintenance Equipment	5,001			5,001
Equipment		665,297		665,297
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets	2,370,383	2,098,380		4,468,763
	<hr/>	<hr/>	<hr/>	<hr/>
Less Accumulated Depreciation	(1,748,710)	(1,409,099)		(3,157,809)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Capital Assets	621,673	689,281		1,310,954
	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	638,686	689,281		1,327,967
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	658,047	756,426	169,548	1,584,021
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2011
(Continued)

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Liabilities				
Current Liabilities				
Accounts Payable	\$ 11,180	\$ 16,245	\$ 4,728	\$ 32,153
Accrued Liabilities		36,046		36,046
Accounts Payable - Project Improvement	71,930			71,930
Related Party Note Payable	28,488			28,488
Accrued Wages	3,079			3,079
Accrued Payroll Taxes	791			791
Gift Card Payable		8,155		8,155
Total Current Liabilities	115,468	60,446	4,728	180,642
Noncurrent Liabilities				
Tenant Security Deposits	12,596			12,596
Related Party Note Payable, Less Current Portion	85,462			85,462
Total Noncurrent Liabilities	98,058			98,058
Total Liabilities	213,526	60,446	4,728	278,700
Net Assets				
Invested in Capital Assets, Net of Related Debt	638,686	689,281		1,327,967
Restricted				
Tennant Deposits	4,417			4,417
Debt Service Requirements		323,754		323,754
Recreation Project Grants		208,701		208,701
Unrestricted	(198,582)	(525,756)	164,820	(559,518)
Total Net Assets	\$ 444,521	\$ 695,980	\$ 164,820	\$ 1,305,321

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND

For The Year Ended June 30, 2011

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

For The Year Ended June 30, 2011

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Operating Revenues				
Rent Revenue - Gross Potential	\$ 214,345	\$	\$	\$ 214,345
Tenant Assistance Payments	52,180			52,180
Net Rental Revenue	266,525			266,525
Golf		388,187		388,187
Rentals - Power Carts		215,097		215,097
Rentals - Miscellaneous		2,713		2,713
Commissary Sales - Cigarettes			60,465	60,465
Commissary Profits			113,917	113,917
Concession Commissions		113,377		113,377
Miscellaneous Revenue		7,182		7,182
Total Operating Revenues	266,525	726,556	174,382	1,167,463
Less:				
Rent Expense - Power Carts		(57,676)		(57,676)
Gross Profit on Operating Revenues	266,525	668,880	174,382	1,109,787
Operating Expenses				
Protection to Persons and Property				
Educational and Recreational			37,638	37,638
Payment to Suppliers			83,307	83,307
Golf		429,636		429,636
Clubhouse		348,950		348,950
Administrative	66,270			66,270
Depreciation	56,384	65,760		122,144
Utilities	108,269			108,269
Operating and Maintenance Expense	64,002			64,002
Taxes and Insurance	22,014			22,014
Total Operating Expenses	316,939	844,346	120,945	1,282,230
Operating Income (Loss)	(50,414)	(175,466)	53,437	(172,443)

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For The Year Ended June 30, 2011
(Continued)

Business-Type Activities - Enterprise Funds

	<u>Lakeside Terrace Apartments</u>	<u>A.J. Jolly Park</u>	<u>Jail Canteen Fund</u>	<u>Total</u>
Nonoperating Revenues (Expenses)				
Contribution from Campbell County Fiscal Court	\$	\$ 226,000	\$	\$ 226,000
Total Financial Revenue		<u>226,000</u>		<u>226,000</u>
Other Revenue	1,543			1,543
Laundry and Vending Revenue	<u>2,001</u>			<u>2,001</u>
Total Other Revenue	<u>3,544</u>			<u>3,544</u>
Interest Income	29	22	124	175
Transfer to Pay on Lease		<u>(36,505)</u>		<u>(36,505)</u>
Total Nonoperating Revenues (Expenses)	<u>3,573</u>	<u>189,517</u>	<u>124</u>	<u>193,214</u>
Change In Net Assets	(46,841)	14,051	53,561	20,771
Total Net Assets - Beginning	<u>491,362</u>	<u>681,929</u>	<u>111,259</u>	<u>1,284,550</u>
Total Net Assets - Ending	<u>\$ 444,521</u>	<u>\$ 695,980</u>	<u>\$ 164,820</u>	<u>\$ 1,305,321</u>

The accompanying notes are an integral part of the financial statements.

CAMBPELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2011

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2011

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Cash Flows From Operating Activities				
Receipts from Green Fees	\$	\$ 388,187	\$	\$ 388,187
Receipts from Interest on Investments	29			29
Rental for Golf Carts		215,097		215,097
Miscellaneous Rentals		2,713		2,713
Rental Receipts	266,525			266,525
Receipts from Commissions		113,377		113,377
Miscellaneous Income	1,543	7,182		8,725
Laundry and Vending Revenue	2,001			2,001
Receipts from Sale of Cigarettes			60,465	60,465
Profits			113,292	113,292
Payments to Employees	(70,771)	(479,457)		(550,228)
Educational and Recreational			(37,638)	(37,638)
Payments to Suppliers	(188,919)	(350,979)	(93,756)	(633,654)
Net Cash Provided By Operating Activities	10,408	(103,880)	42,363	(51,109)
Cash Flows From Capital and Related Financing Activities				
Additional proceeds on related party note	5,000			5,000
Purchase of Capital Assets		(66,781)		(66,781)
Interest paid on capital lease		(11,305)		(11,305)
Debt Payments		(25,200)		(25,200)
Net Cash (Used) Provided By Capital and Related Financing Activities	5,000	(103,286)		(98,286)
Cash Flows from Non-Capital Financing Activities				
Receipts from Campbell County General Fund		226,000		226,000
Net Cash Provided By Non-Capital Financing Activities		226,000		226,000

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Year Ended June 30, 2011
(Continued)

Business-Type Activities - Enterprise Funds

	<u>Lakeside Terrace Apartments</u>	<u>A.J. Jolly Park</u>	<u>Jail Canteen Fund</u>	<u>Total</u>
Cash Flows From Investing Activities				
Interest Earned	\$	\$ 22	\$ 124	\$ 146
Net Withdrawals from Mortgage Escrow Account	6,401			6,401
Net Withdrawals from Residual Receipts Account	(18)			(18)
Net Purchase of Fixed Assets	(5,500)			(5,500)
Net Cash (Used) Provided By Investing Activities	883	22	124	1,029
Net (Decrease) Increase in Cash and Cash Equivalents	16,291	18,856	42,487	77,634
Cash and Cash Equivalents - July 1, 2010	1,725	48,289	111,391	161,405
Cash and Cash Equivalents - June 30, 2011	<u>\$ 18,016</u>	<u>\$ 67,145</u>	<u>\$ 153,878</u>	<u>\$ 239,039</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$	\$ (175,466)	\$ 53,437	\$ (122,029)
Change in Net Assets	(46,841)			(46,841)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities				
Depreciation Expense	56,384	65,760		122,144
Changes In:				
Accounts Receivable			(625)	(625)
Prepaid expenses	(997)			(997)
Accounts Payable	333	717	(10,449)	(9,399)
Accrued Liabilities	1,529	3,647		5,176
Gift Card Payable		1,462		1,462
Net Cash Provided By Operating Activities	<u>\$ 10,408</u>	<u>\$ (103,880)</u>	<u>\$ 42,363</u>	<u>\$ (51,109)</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2011

**CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS**

June 30, 2011

	<u>Agency Funds</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 63,421</u>
Total Assets	<u>63,421</u>
Liabilities	
Amounts Held In Custody For Others	<u>63,421</u>
Total Liabilities	<u>63,421</u>
Net Assets	
Total Net Assets	<u><u>\$</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	51
NOTE 2.	DEPOSITS AND INVESTMENTS.....	61
NOTE 3.	OPERATING LEASES.....	61
NOTE 4.	CAPITAL ASSETS	62
NOTE 5.	JOINT VENTURES	64
NOTE 6.	CAPITAL LEASE RECEIVABLE.....	64
NOTE 7.	LONG-TERM DEBT	65
NOTE 8.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS	68
NOTE 9.	EMPLOYEE RETIREMENT SYSTEM.....	69
NOTE 10.	INSURANCE	70
NOTE 11.	ESTIMATED INFRASTRUCTURE HISTORICAL COST.....	70
NOTE 12.	CONCENTRATIONS OF BUSINESS RISK	70
NOTE 13.	INTERFUND TRANSACTIONS	71
NOTE 14.	DISAGGREGATION OF ACCOUNTS PAYABLE	72
NOTE 15.	SUBSEQUENT EVENTS.....	72
NOTE 16.	RELATED PARTY TRANSACTIONS.....	72
NOTE 17.	CHANGE IN ACCOUNTING PRINCIPLE.....	72

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA.) (See part D for additional discussion on basis of presentation.)

B. Reporting Entity

For financial reporting purposes, the Campbell County Fiscal Court includes the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the Fiscal Court is able to impose its will on these organizations. These organizations' balances and transactions are reported as though they are part of the County's primary government using the blending method.

Campbell County Fiscal Court Housing Choice Voucher Program:

The Campbell County Fiscal Court operates the Housing Voucher Department Housing Choice Voucher Program. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development. This component unit is blended within the financial statements of the County.

Campbell County Public Properties Corporation:

The Board of Directors of the Campbell County Public Properties Corporation is made up entirely of the members of the Campbell County Fiscal Court. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Campbell County Fiscal Court. The Fiscal Court has access to the Corporation's resources and is legally obligated to finance the debts or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Lakeside Terrace Apartments HUD Project No. 083-44012-236:

The Project is a 96-unit apartment complex for the elderly located in Highland Heights, Kentucky. The project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan. Legal title to the project is held by the Campbell County Public Properties Corporation, a nonprofit corporation. This component unit is blended within the financial statements of the County.

A.J. Jolly Park:

The activities of A.J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for as an enterprise fund. This method was adopted to account for the Park's operations in a manner similar to private business enterprises. The major portion of land on which the Park is operated is owned by the Campbell County Public Parks Corporation, which used two related bond issues to acquire it. Once the bonds are retired, the Public Parks Corporation will transfer title of the property to the County. This component unit is blended within the financial statements of the County.

Copies of the audits of the blended component units can be obtained by contacting James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 1098 Monmouth St., Newport, KY 41071.

C. Campbell County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Campbell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Campbell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

A significant feature of the government-wide Statement of Activities is the presentation of each program's net cost. GAAP requires the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting program expenses from program revenues. Program expenses are those costs attributable to a particular function including certain indirect costs. GAAP permits both direct and indirect program expenses to be presented together in an "Expenses" column. Therefore, indirect expenses are not specifically identified with individual functions and activities.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as major.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The County generally includes those revenues to be received up to 90 days following the end of the accounting period. Revenues expected to be collected after 90 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues also include amounts received but unearned as of June 30. In the governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition, principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

(TANK) Payroll Tax Fund – The purpose of this fund is to account for occupational tax collections, which were originally approved by the voters as Section 12 of Ordinance R-34-78 and amended with Ordinance O-26-99. All money derived under the provisions of this Ordinance is placed to the credit of:

- A) The General Revenue Fund of the County of Campbell and shall be used and expended in defraying the current general and incidental expenses of the County
- B) To appropriate and pay over to the Transit Authority of Northern Kentucky capital and operating funds as provided in K.R.S. Chapter 96A;
- C) For traffic improvement and mass transportation related projects as authorized by the Fiscal Court.

Campbell County Housing Choice Voucher Program - The Campbell County Housing Choice Voucher Program is operated by the Campbell County Fiscal Court. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate this program are obtained principally from the U.S. Department of Housing and Urban Development.

Campbell County Public Properties Corporation - This Corporation was created solely for the benefit of the Fiscal Court to act as an agent in the acquisition and financing of any public project. It is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Senior Citizens Tax Fund, Mental Health Tax Fund, and the Developer Road Escrow Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, (TANK) Payroll Tax Fund, Campbell County Housing Choice Voucher Program, Local Government Economic Assistance Fund (LGEA), Senior Citizen Tax Fund, Mental Health Tax Fund, the Developer Road Escrow Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

The Campbell County Public Properties Corporation is used to account for the accumulation of resources for, and payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of cash flows. On the Statement of Revenues, Expenses and Changes in Net Assets, the term “expenses” (not “expenditures” as in the governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds’ principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county’s enterprise funds are charges to customers for sales in the Jail Canteen Fund, at Lakeside Terrace Apartments and A.J. Jolly Park. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Lakeside Terrace Apartments HUD Project No. 083-44012-236

The Project is a 96-unit apartment project for the elderly located in Highland Heights, Kentucky. The Project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project’s major program is its Section 236 direct loan.

Legal title to the Project is held by Campbell County Public Properties Corporation, a nonprofit corporation. The accompanying financial statements are those of the Project and do not represent the financial statements of Campbell County Public Properties Corporation. The Project is a component unit of the Campbell County Fiscal Court.

The Project is subject to Section 8 Housing Assistance Payments agreements with U.S. Department of Housing and Urban Development (HUD), and a significant portion of the Project’s rental income is received from HUD. The Project’s non-major programs are its rent subsidy and Flexible Subsidy Loan.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

A.J. Jolly Park

The A.J. Jolly Park is a component unit enterprise fund of the Campbell County Fiscal Court. The Park is the operator of the A.J. Jolly Golf Course.

Jail Canteen Fund

Inmates at the Campbell County Jail are set up with an account upon entry. Inmates are permitted to order items, such as snacks, and use money from their account to pay. This fund's purpose is to record the profits from this operation. The profits are used to benefit the prisoners.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The agency funds of Campbell County are the Jail Inmate Account, the Employee Fund Account, the Senior Citizen's Account, and the Performance Bond Account (no balance as of June 30, 2011).

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are reported at fair market value.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated assets are recorded at fair market value at the time of donation.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	3-30
Buildings and Building Improvements	\$ 5,000	20-60
Machinery and Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	4-10
Utility Systems	\$ 5,000	25-40
Infrastructure	\$ 5,000	20-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Compensated Absences

The County's policies regarding vacation time do not permit an employee to accumulate vacation time. Although they earn time based on their years of service, they have until April of the following year to utilize all vacation time earned the previous year. Upon termination of employment, employees do receive pay for unused vacation time that has not expired.

The County Police and the Road Department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the Fiscal Court on December 31, they receive pay for their unused sick time the following January. If they are not employed on December 31, they do not get paid for their unused sick time.

The remaining Fiscal Court employees also receive 40 hours of sick leave in January; however, they do not get paid for their unused sick time.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the Judge Executive to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

“Committed to Bus Service” refers to the portion of the TANK payroll tax receivable (first quarter) which the Campbell County Fiscal Court has agreed to provide to TANK to provide transit service in Campbell County.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted, because the Fiscal Court does not approve these expenses made from these funds. However, Campbell County has chosen to budget these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include payroll taxes.

In the fund financial statements, material receivables in the governmental funds include revenue accruals, such as, occupational taxes, grants, and other similar revenues since they are usually both measurable and available. Non-exchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days since they would be considered both measurable and available.

K. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

At June 30, 2011, Lakeside Terrace Apartments owed the General Fund \$113,950.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The county does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (A). As of June 30, 2011, all deposits were covered by FDIC Insurance or a properly executed collateral security agreement.

B. Investments

At June 30, 2011, all of the county's investments were classified as cash and cash equivalents. These were collateralized by pledged securities held by the county's agent in the county's name, and therefore were not subject to custodial credit risk.

Note 3. Operating Leases

A. Copiers

The Fiscal Court/Jail entered into lease agreements for copiers to be used by various county departments. The total expense related to this lease was \$16,514 for the fiscal year ended June 30, 2011. The leases are set to expire at different dates. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities Amount</u>
2012	\$ 5,616
2013	2,640
2014	2,640
2015	660
Total Minimum Lease Payments	<u>\$ 11,556</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Operating Leases (Continued)

B. Golf Carts

The Park entered into a three-year lease for golf carts effective June 2008 for a total rental of \$393,822. This replaced the previous lease for golf carts that expired in October 2009. Under the terms of the lease, the Park agreed to obtain an "all risk" property insurance policy covering its full replacement value. In addition, the Park is required to obtain public liability insurance naming the lessor as an additional insured.

Minimum future lease payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-type Activities Amount</u>
2012	\$ 61,776
2013	23,166
Total Minimum Lease Payments	<u>\$ 84,942</u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,860,187	\$	\$	\$ 3,860,187
Construction In Progress		16,588		16,588
Total Capital Assets Not Being Depreciated	3,860,187	16,588		3,876,775
Capital Assets, Being Depreciated:				
Land Improvements	859,033			859,033
Buildings	33,735,914	442,043		34,177,957
Other Equipment	2,787,719	87,423		2,875,142
Vehicles and Equipment	3,510,315	109,152	(142,255)	3,477,212
Infrastructure	35,465,752			35,465,752
Total Capital Assets Being Depreciated	76,358,733	638,618	(142,255)	76,855,096
Less Accumulated Depreciation For:				
Land Improvements	(288,791)	(48,492)		(337,283)
Buildings	(5,818,642)	(758,356)		(6,576,998)
Other Equipment	(1,203,475)	(224,155)		(1,427,630)
Vehicles and Equipment	(2,640,069)	(205,138)	142,255	(2,702,952)
Infrastructure	(24,472,421)	(1,394,171)		(25,866,592)
Total Accumulated Depreciation	(34,423,398)	(2,630,312)	142,255	(36,911,455)
Total Capital Assets, Being Depreciated, Net	41,935,335	(1,991,694)		39,943,641
Governmental Activities Capital Assets, Net	\$ 45,795,522	\$ (1,975,106)	\$ 0	\$ 43,820,416

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 497,462	\$	\$	\$ 497,462
Land Improvements	268,340			268,340
Total Capital Assets Not Being Depreciated	765,802			765,802
Capital Assets, Being Depreciated:				
Land Improvements	688,820			688,820
Buildings	1,948,862			1,948,862
Portable Building Equipment	149,830			149,830
Equipment for Tenant Use	82,300	5,500	(2,942)	84,858
Furnishings	45,714			45,714
Office Furniture and Equipment	8,482			8,482
Maintenance Equipment	5,001			5,001
Clubhouse Furniture and Fixtures	106,097			106,097
Golf Equipment	598,515	66,782		665,297
Total Capital Assets Being Depreciated	3,633,621	72,282	(2,942)	3,702,961
Less Accumulated Depreciation For:				
Land Improvements	(631,087)	(2,110)		(633,197)
Buildings	(1,601,828)	(36,570)		(1,638,398)
Portable Building Equipment	(69,459)	(13,493)		(82,952)
Equipment for Tenant Use	(74,102)	(1,985)	2,942	(73,145)
Furnishings	(38,213)	(1,487)		(39,700)
Office Furniture and Equipment	(7,770)	(475)		(8,245)
Maintenance Equipment	(3,229)	(264)		(3,493)
Clubhouse Furniture and Fixtures	(94,336)	(7,423)		(101,759)
Golf Equipment	(518,583)	(58,337)		(576,920)
Total Accumulated Depreciation	(3,038,607)	(122,144)	2,942	(3,157,809)
Total Capital Assets, Being Depreciated, Net	595,014	(49,862)		545,152
Business-Type Activities Capital Assets, Net	\$ 1,360,816	\$ (49,862)	\$ 0	\$ 1,310,954

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 489,381
Protection to Persons and Property	539,888
General Health and Sanitation	8,511
Social Services	52,928
Recreation and Culture	87,063
Roads, Including Depreciation of General Infrastructure Assets	<u>1,452,541</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,630,312</u>
<u>Business-Type Activities</u>	
A.J. Jolly Park	\$ 65,760
Lakeside Terrace Apartments	<u>56,384</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 122,144</u>

Note 5. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Campbell County Fiscal Court: Campbell County Consolidated Dispatch Board.

The audit of Campbell County Consolidated Dispatch Board can be obtained by writing the Board at 998 Monmouth Street, Newport, KY 41071-2115.

Note 6. Capital Lease Receivable

The Campbell County Extension District Board entered into a capital lease with the Campbell County Public Properties Corporation (CCPPC) on January 6, 1992 for construction of a building for housing the offices of the Extension District. The CCPPC agreed to provide adequate land for the facility as well as assume the responsibility for securing a qualified licensed architect who would design and oversee the complete construction of the project. The Extension District has full responsibility to pay the entire cost of the construction including that of securing financing for the professional expenses, bond expenses, and construction expenses. It was agreed that the Extension District would advance the CCPPC \$175,000 for initial expenses related to the construction and upon occupation of the building by the Extension District, a semi-annual rent obligation would be payable to the CCPPC. The sum payable to the CCPPC shall include all expenses on an amortized basis over the life of the bonds for all costs related to financing and all fees associated with the issuance of the bonds. The Extension District has been granted the option of purchasing the building, parking lot, and area required for ingress and egress from the CCPPC for \$1.00 plus the assumption of all indebtedness owed for the construction of the project, if any. This option expires within 30 years from the signing of the above contract.

The Extension District advanced the CCPPC an additional \$96,932 to cover construction costs in excess of that originally contemplated.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Capital Lease Receivable (Continued)

For financial statement purposes, this has been treated as a capital lease.

At June 30, 2011, the future minimum payments required under the lease agreement and the present value of minimum capital lease payments are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2012	\$ 70,000	\$ 4,640	\$ 74,640
2013	75,000	1,594	76,594
	<u>\$ 145,000</u>	<u>\$ 6,234</u>	<u>\$ 151,234</u>

Note 7. Long-term Debt

A. 2001 Refunding Bonds

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Project Refunding Bond, Series 2001, to refund Campbell County, Kentucky Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. In the 1992 series, a portion of the project was subleased by the County to the Campbell County Extension District Board pursuant to a sublease dated December 1, 1992 for automatically renewable annual periods through December 1, 2012. Payments to the County under the sublease are equal to the pro-rata portion of the lease payments to be made by the County, which are allocable to the portion of the project being subleased to the Extension District Board. The outstanding balance due to the Campbell County Fiscal Court from the Extension District Board as of June 30, 2011 was \$145,000.

The bonds mature in varying amounts from \$70,000 to \$170,000 from December 1, 2001 to December 1, 2022 at interest rates ranging from 3.20% to 5.00%

Bonds outstanding on June 30, 2011 were \$1,210,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2012	\$ 160,000	\$ 45,877
2013	170,000	43,251
2014	70,000	40,339
2015	75,000	37,139
2016	75,000	33,764
2017-2021	450,000	91,843
2022-2026	210,000	10,750
Totals	<u>\$ 1,210,000</u>	<u>\$ 302,963</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Long-term Debt (Continued)

B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation)

First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 were issued July 1, 1997 in the amount of \$3,650,000 for the purpose of refunding First Mortgage Revenue bonds (Jail Facilities Project) issued November 1, 1989. The bonds mature in varying amounts from \$95,000 to \$285,000 from November 1, 1997 through 2017. Interest is payable semiannually on May 1 and November 1 at rates from 4.70% to 4.80%. The bonds are secured by a foreclosable first mortgage lien on the jail property and A.J. Jolly Park and a pledge of revenue from both facilities. During the year ended June 30, 1998, the Campbell County Public Parks Corporation advanced A.J. Jolly Park \$466,200 to pay the cost of a new irrigation system. The amount of bonds assigned to the park and recreation improvements was \$1,665,000. Under the terms of the agreement, the Park is obligated to pay its proportionate part of the bonds and interest as they become due.

Bonds outstanding on June 30, 2011 were \$770,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2012	\$ 95,000	\$ 34,680
2013	100,000	30,000
2014	105,000	25,080
2015	110,000	19,920
2016	115,000	17,280
2017-2021	245,000	17,760
Totals	<u>\$ 770,000</u>	<u>\$ 144,720</u>

C. General Obligation Public Project Bonds, Series 2006

As of June 1, 2006, Campbell County, Kentucky issued \$13,150,000 General Obligation Public Project Bonds, Series 2006. These bonds mature in varying amounts (from \$250,000 to \$880,000) on December 1 of each year from 2006 through 2025. Proceeds of the bonds issued will be principally used for construction at the Campbell County Jail. Interest is payable semiannually on June 1 and December 1 at rates ranging from 4.00% to 4.38% and principal payments are due annually on December 1 of each year.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Long-term Debt (Continued)

C. General Obligation Public Project Bonds, Series 2006

Bonds outstanding on June 30, 2011 were \$10,680,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2012	\$ 615,000	\$ 430,643
2013	640,000	405,543
2014	665,000	379,444
2015	695,000	352,244
2016	720,000	323,944
2017-2021	3,295,000	1,224,595
2022-2026	4,050,000	453,835
Totals	<u>\$ 10,680,000</u>	<u>\$ 3,570,249</u>

D. General Obligation Public Project Bonds, Series 2008

On September 3, 2008 Campbell County, Kentucky issued \$9,760,000 General Obligation Public Project Bonds, Series 2008. These bonds mature in varying amounts (from \$115,000 to \$730,000) on January 1 of each year from 2009 through 2028. Proceeds of the bonds issued will be principally used for construction of the Campbell County Administration Building. Interest is payable semiannually on January 1 and July 1 at rates ranging from 3.00% to 4.200% and principal payments are due annually on January 1 of each year.

Bonds outstanding on June 30, 2011 were \$8,920,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2012	\$ 370,000	\$ 344,463
2013	380,000	335,900
2014	405,000	320,550
2015	420,000	307,388
2016	435,000	292,688
2017-2021	2,450,000	1,216,915
2022-2026	3,035,000	689,824
2027-2031	1,425,000	90,510
Totals	<u>\$ 8,920,000</u>	<u>\$ 3,598,238</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Long-term Debt (Continued)

E. Related Party Note Payable

During the year ended June 30, 2008, the Campbell County Fiscal Court loaned Lakeside Terrace Apartments HUD Project No. 083-44012-236 \$95,500. This loan is to be repaid over seven and one half years with the first payment due in January 2008. During the year ended June 30, 2009, the Court loaned the project an additional \$30,000 for cash flow purposes. The Court loaned the project an additional \$5,000 during fiscal year 2011. The balance due as of June 30, 2011, was \$113,950. No interest is being charged. The repayment schedule is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-Type Activities Amount</u>
2012	\$ 28,488
2013	28,488
2014	28,488
2015	28,486
	<u>\$ 113,950</u>

H. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Compensated Absences	\$ 49,324	\$ 182	\$	\$ 49,506	\$
General Obligation					
Public Refunding Bonds	1,365,000		155,000	1,210,000	160,000
General Obligation					
Public Project Bonds	9,285,000		365,000	8,920,000	370,000
General Obligation					
Public Project Bonds	11,270,000		590,000	10,680,000	615,000
First Mortgage Refunding and Improvement Revenue					
Bond Series 1997	1,055,000		285,000	770,000	95,000
Governmental Activities					
Long-term Liabilities	<u>\$ 23,024,324</u>	<u>\$ 182</u>	<u>\$ 1,395,000</u>	<u>\$ 21,629,506</u>	<u>\$ 1,240,000</u>

Note 8. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$951,547 in interest on bonds.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent.

The County's CERS contribution totaled \$2,266,921 for the year ended June 30, 2011; \$2,190,105 for June 30, 2010; and \$1,495,515 for June 30, 2009.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Employee Retirement System (Continued)

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 10. Insurance

For the fiscal year ended June 30, 2011, Campbell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year this infrastructure was built by determining when a major reconstruction was done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

Note 12. Concentrations of Business Risk

A. Lakeside Terrace Apartments

Lakeside Terrace Apartments' sole asset is a 96-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with very little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 12. Concentrations of Business Risk (Continued)

B. Housing Choice Voucher Program

The Housing Choice Voucher Program's operations are concentrated in the low-income rental market. In addition, the Program operates in a heavily regulated environment. The operation of the Program is subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with very little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. The majority of revenue is received from annual contributions from HUD. For the year ended June 30, 2011, approximately 99.1% of the Program's total revenue was received from that source.

Note 13. Interfund Transactions

The following is a list of interfund transactions as of June 30, 2011:

	Totals	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund	Public Properties Fund	Mental Health Fund	Senior Citizens' Fund
	\$	\$ (3,744,189)	\$	\$ 3,744,189	\$	\$	\$	\$
		(60,000)					60,000	
		21,000						(21,000)
		134,000					(134,000)	
		1,650,000			(1,650,000)			
			1,300,000		(1,300,000)			
		(92,966)				92,966		
				(199,680)		199,680		
Total Transfers to								
Other Funds	<u>\$(7,201,835)</u>	<u>\$ (3,897,155)</u>	<u>\$</u>	<u>\$ (199,680)</u>	<u>\$(2,950,000)</u>	<u>\$</u>	<u>\$(134,000)</u>	<u>\$(21,000)</u>
Total Transfers from								
Other Funds	<u>\$ 7,201,835</u>	<u>\$ 1,805,000</u>	<u>\$1,300,000</u>	<u>\$ 3,744,189</u>	<u>\$</u>	<u>\$ 292,646</u>	<u>\$ 60,000</u>	<u>\$</u>

1. To remove resources from the funds recording to the revenue to the funds that will expend them.
2. To move resources from the funds recording to the revenue to the fund paying the debt service.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 14. Disaggregation of Accounts Payable

The following is a list of accounts payable by function as of June 30, 2011:

	Totals	General Fund	Road Fund	Jail Fund	Housing Voucher Program	Senior Citizens Tax	Mental Health Tax
General Government	\$ 118,883	\$ 118,883	\$	\$	\$	\$	\$
Roads	16,726		16,726				
Protection To Persons and Property	64,497	8,962		55,535			
General Health and Sanitation	6,457	6,249					208
Social Services	11,963	600			667	10,696	
Recreation and Culture	17,222	17,222					
Capital Projects	63,345	57,787	5,558				
Total Administration	13,157	10,793		2,364			
Total	<u>\$ 312,250</u>	<u>\$ 220,496</u>	<u>\$ 22,284</u>	<u>\$ 57,899</u>	<u>\$ 667</u>	<u>\$ 10,696</u>	<u>\$ 208</u>

Note 15. Subsequent Events

Between April and May of 2011, the County experienced severe storms with heavy rain damaging roadways on several County roads. A disaster grant for presidentially declared disasters was awarded to the County by U.S. Federal Emergency Management Agency and the State of Kentucky in the amount of \$317,544. Repairs performed through June 30, 2011 resulted in \$81,651 of federal and state assistance, with the remaining repairs occurring after June 30, 2011.

The County has evaluated and considered the need to recognize or disclose subsequent events through December 20, 2011, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2011, have not been evaluated by the County.

Note 16. Related Party Transactions

Campbell County contracts with Senior Services of Northern Kentucky to provide home delivered meals to senior citizen residents of the county. County Commissioner Kenneth Rehtin became the Director of Agency Services for Senior Services of Northern Kentucky in March of 2011, after the contract was in place for fiscal year 2011. The county paid the agency \$104,191 for services provided during fiscal year 2011. Campbell County has renewed this relationship for fiscal year 2012, with Commissioner Rehtin abstaining from voting on the resolution.

Note 17. Change in Accounting Principle

The Campbell County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classification of fund balance on the Balance Sheet – Governmental Funds.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2011

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 9,881,800	9,881,800	\$ 10,158,444	\$ 276,644
Excess Fees	1,420,000	1,420,000	1,238,584	(181,416)
Licenses and Permits	122,900	122,900	129,331	6,431
Intergovernmental Revenue	1,299,000	1,299,000	1,045,850	(253,150)
Charges for Services	47,600	47,600	45,872	(1,728)
Miscellaneous	1,684,800	1,684,800	1,689,698	4,898
Interest	9,300	9,300	6,232	(3,068)
Total Revenues	14,465,400	14,465,400	14,314,011	(151,389)
EXPENDITURES				
General Government	3,414,000	3,765,700	3,332,227	433,473
Protection to Persons and Property	3,113,980	3,186,980	2,953,492	233,488
General Health and Sanitation	406,880	461,480	428,319	33,161
Social Services	721,640	726,440	658,566	67,874
Recreation and Culture	492,720	625,620	556,801	68,819
Debt Service	1,033,120	1,033,120	1,032,480	640
Capital Projects	1,157,350	693,750	496,819	196,931
Administration	3,436,860	3,223,460	2,978,235	245,225
Total Expenditures	13,776,550	13,716,550	12,436,939	1,279,611
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	688,850	748,850	1,877,072	1,128,222
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(4,254,000)	(4,254,000)	(3,804,189)	449,811
Transfers From Other Funds	1,745,000	1,745,000	1,805,000	60,000
Total Other Financing Sources (Uses)	(2,509,000)	(2,509,000)	(1,999,189)	509,811
Net Changes in Fund Balance	(1,820,150)	(1,760,150)	(122,117)	1,638,033
Fund Balance - Beginning	1,820,150	1,820,150	4,539,325	2,719,175
Fund Balance - Ending	\$ 0	\$ 60,000	\$ 4,417,208	\$ 4,357,208

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2011
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 949,400	\$ 949,400	\$ 856,036	\$ (93,364)
Miscellaneous	35,250	35,250	39,444	4,194
Interest	250	250	151	(99)
Total Revenues	984,900	984,900	895,631	(89,269)
EXPENDITURES				
Roads	1,902,200	1,899,800	1,545,816	353,984
Debt Service	90,300	90,300	89,311	989
Capital Projects	667,200	668,800	103,214	565,586
Administration	466,900	467,700	435,104	32,596
Total Expenditures	3,126,600	3,126,600	2,173,445	953,155
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,141,700)	(2,141,700)	(1,277,814)	863,886
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	2,100,000	2,100,000	1,300,000	(800,000)
Total Other Financing Sources (Uses)	2,100,000	2,100,000	1,300,000	(800,000)
Net Changes in Fund Balance	(41,700)	(41,700)	22,186	63,886
Fund Balance - Beginning	41,700	41,700	32,794	(8,906)
Fund Balance - Ending	\$ 0	\$ 0	\$ 54,980	\$ 54,980

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2011
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,928,820	\$ 3,928,820	\$ 4,075,798	\$ 146,978
Charges for Services	201,870	201,870	226,355	24,485
Miscellaneous	269,710	269,710	290,981	21,271
Interest	200	200	222	22
Total Revenues	4,400,600	4,400,600	4,593,356	192,756
EXPENDITURES				
Protection to Persons and Property	5,895,920	5,927,860	5,518,890	408,970
Debt Service	1,130,780	1,130,780	1,130,232	548
Administration	1,825,200	1,767,700	1,698,400	69,300
Total Expenditures	8,851,900	8,826,340	8,347,522	478,818
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(4,451,300)	(4,425,740)	(3,754,166)	671,574
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	4,266,500	4,266,500	3,744,189	(522,311)
Total Other Financing Sources (Uses)	4,266,500	4,266,500	3,744,189	(522,311)
Net Changes in Fund Balance	(184,800)	(159,240)	(9,977)	149,263
Fund Balance - Beginning	184,800	159,240	146,665	(12,575)
Fund Balance - Ending	\$ 0	\$ 0	\$ 136,688	\$ 136,688

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2011
(Continued)

(TANK) PAYROLL TAX FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary	Final Budget
			Basis)	Positive
				(Negative)
REVENUES				
Taxes	\$ 7,312,400	\$ 7,312,400	\$ 7,461,092	\$ 148,692
Intergovernmental Revenue	325,000	325,000	278,335	(46,665)
Miscellaneous			6,454	6,454
Interest	5,000	5,000	2,586	(2,414)
Total Revenues	7,642,400	7,642,400	7,748,467	106,067
EXPENDITURES				
General Government	79,000	86,000	54,462	31,538
Bus Services	4,682,300	4,689,400	4,581,201	108,199
Administration	208,000	193,900	12,210	181,690
Total Expenditures	4,969,300	4,969,300	4,647,873	321,427
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	2,673,100	2,673,100	3,100,594	427,494
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(3,750,000)	(3,750,000)	(2,950,000)	800,000
Total Other Financing Sources (Uses)	(3,750,000)	(3,750,000)	(2,950,000)	800,000
Net Changes in Fund Balance	(1,076,900)	(1,076,900)	150,594	1,227,494
Fund Balance - Beginning	1,076,900	1,076,900	2,312,822	1,235,922
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,463,416	\$ 2,463,416

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2011
(Continued)

HOUSING CHOICE VOUCHER PROGRAM

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 3,834,500	\$ 3,834,500	\$ 3,916,841	\$ 82,341
Interest	1,100	1,100	588	(512)
Miscellaneous	6,000	6,000	35,800	29,800
Total Revenues	3,841,600	3,841,600	3,953,229	111,629
EXPENDITURES				
General Government			413,416	(413,416)
Social Services	3,873,750	3,873,750	3,569,459	304,291
Capital Projects			2,274	(2,274)
Total Expenditures	3,873,750	3,873,750	3,985,149	(111,399)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(32,150)	(32,150)	(31,920)	230
Net Changes in Fund Balance	(32,150)	(32,150)	(31,920)	230
Fund Balance - Beginning	582,421	582,421	578,420	(4,001)
Fund Balance - Ending	\$ 550,271	\$ 550,271	\$ 546,500	\$ (3,771)

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Sources/Inflows of Resources</u>				
Actual Amount (Budgetary Basis)	\$ 14,314,011	\$ 895,631	\$ 4,593,356	\$ 7,748,467
Differences - (Budget to GAAP)				
The County budgets for revenues only to the extent they are expected to be received rather than on the modified accrual basis.	<u>303,518</u>	<u>48,048</u>	<u>93,174</u>	<u>142,133</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund				
Balances - Governmental Funds	<u>\$ 14,617,529</u>	<u>\$ 943,679</u>	<u>\$ 4,686,530</u>	<u>\$ 7,890,600</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011
(Continued)

Note 2. Budgetary vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Uses/Outflows of Resources</u>				
Actual Amount (Budgetary Basis)	\$ 12,436,939	\$ 2,173,445	\$ 8,347,522	\$ 4,647,873
Differences - (Budget to GAAP)				
The County budgets for claims only to the extent they are expected to be paid rather than on the modified accrual basis.	<u>23,453</u>	<u>5,998</u>	<u>(223,690)</u>	
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,460,392</u>	<u>\$ 2,179,443</u>	<u>\$ 8,123,832</u>	<u>\$ 4,647,873</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Other Financing Sources (Uses)</u>				
Actual Amount (Budgetary Basis)	\$ (1,999,189)	\$ 1,300,000	\$ 3,744,189	\$ (2,950,000)
Differences - (Budget to GAAP)				
The County budgets for transfers only to the extent they are expected to be transferred rather than on the modified accrual basis.	<u>(92,966)</u>		<u>(199,680)</u>	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ (2,092,155)</u>	<u>\$ 1,300,000</u>	<u>\$ 3,544,509</u>	<u>\$ (2,950,000)</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011
(Continued)

Note 2. Budgetary vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Ending Fund Balances</u>				
Actual Amount (Budgetary Basis)	\$ 4,417,208	\$ 54,980	\$ 136,688	\$ 2,463,416
Differences - (Budget to GAAP)				
The County budgets for transactions only to the extent they are expected to be carried out rather than on the modified accrual basis.	<u>937,336</u>	<u>219,679</u>	<u>549,488</u>	<u>2,384,213</u>
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances				
Balances - Governmental Funds	<u>\$ 5,354,544</u>	<u>\$ 274,659</u>	<u>\$ 686,176</u>	<u>\$ 4,847,629</u>

Note 3. Expenditures in Excess of Budget

The County was substantially over budget in the Housing Choice Voucher Program. Actual expenditures were \$3,985,149 while the budgeted amount was \$3,873,750. The excess expenditures for this fund were \$111,399.

**CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information**

June 30, 2011

CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2011

	LGEA Fund	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund
ASSETS				
Cash and Cash Equivalents	\$	\$ 177,936	\$ 124,516	\$ 153,002
Accounts Receivable		123,753	234,897	
Total Assets		<u>301,689</u>	<u>359,413</u>	<u>153,002</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable		10,696	208	
Accrued Liabilities		4,191		
Total Liabilities		<u>14,887</u>	<u>208</u>	
FUND BALANCES				
Restricted For:				
Roads				153,002
Assigned To:				
Social Services		286,802		
General Health and Sanitation			359,205	
Total Fund Balances		<u>286,802</u>	<u>359,205</u>	<u>153,002</u>
Total Liabilities and Fund Balances	\$ 0	<u>\$ 301,689</u>	<u>\$ 359,413</u>	<u>\$ 153,002</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
For The Year Ended June 30, 2011
(Continued)

Total	
Non-Major	
Governmental	
Funds	
<hr/>	
\$	455,454
	358,650
	<hr/>
	814,104
	<hr/>
	<hr/>
	10,904
	4,191
	<hr/>
	15,095
	<hr/>
	153,002
	286,802
	359,205
	<hr/>
	799,009
	<hr/>
\$	814,104
	<hr/>
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The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2011

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2011

	LGEA Fund	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund
REVENUES				
Taxes	\$	\$ 422,015	\$ 841,944	\$
Intergovernmental		80,215	4,000	
Charges for Services		2,694		
Miscellaneous		15,581		5,622
Interest	5	179	137	152
Total Revenues	<u>5</u>	<u>520,684</u>	<u>846,081</u>	<u>5,774</u>
EXPENDITURES				
General Government		2,581	5,162	
General Health and Sanitation			703,206	
Social Services		436,433	7,107	
Roads	7,606			
Debt Service		16,568		
Administration		31,577		
Total Expenditures	<u>7,606</u>	<u>487,159</u>	<u>715,475</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(7,601)</u>	<u>33,525</u>	<u>130,606</u>	<u>5,774</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			60,000	
Transfers To Other Funds		(21,000)	(134,000)	
Total Other Financing Sources (Uses)		<u>(21,000)</u>	<u>(74,000)</u>	
Net Change in Fund Balances	(7,601)	12,525	56,606	5,774
Fund Balances - Beginning	7,601	274,277	302,599	147,228
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 286,802</u>	<u>\$ 359,205</u>	<u>\$ 153,002</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2011
(Continued)

Total Non-Major Governmental Funds	
\$ 1,263,959	
84,215	
2,694	
21,203	
473	
<u>1,372,544</u>	
7,743	
703,206	
443,540	
7,606	
16,568	
31,577	
<u>1,210,240</u>	
<u>162,304</u>	
60,000	
<u>(155,000)</u>	
<u>(95,000)</u>	
67,304	
731,705	
<u>\$ 799,009</u>	

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
Other Supplementary Information
June 30, 2011

CAMPBELL COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
OTHER SUPPLEMENTARY INFORMATION

June 30, 2011

	Jail Inmate Account	Employee Fund Account	Senior Citizen Account	Total Agency Funds
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 49,595	\$ 12,070	\$ 1,756	\$ 63,421
Total Assets	<u>49,595</u>	<u>12,070</u>	<u>1,756</u>	<u>63,421</u>
Liabilities				
Amounts Held In Custody For Others	49,595	12,070	1,756	63,421
Total Liabilities	<u>\$ 49,595</u>	<u>\$ 12,070</u>	<u>\$ 1,756</u>	<u>\$ 63,421</u>
Net Assets				
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2011

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2011

Federal Grantor Program Title <u>Grant Name</u>	<u>Federal CFDA#</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Award			
Section 8 Housing Choice Voucher Program	14.871		\$ 3,563,142 *
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Cabinet for Health and Family Services			
Department for Aging and Independent Living			
Passed Through Northern Kentucky Area Development District			
Title III B	93.044		24,987
<u>U.S. Department of Energy</u>			
Direct Award			
ARRA - Energy Efficiency and Conservation Block Grant	81.128		293,100 *
<u>U.S. Department of Transportation</u>			
Passed Through State Transportation Cabinet			
State and Community Highway Safety	20.600		29,321
<u>U.S. Department of Homeland Security</u>			
Direct Award			
Presidentially Declared Disaster Grant	97.036		70,320
Emergency Management Performance Grant	97.042		78,083
Total U.S. Department of Homeland Security			148,403
Total Cash Expenditures of Federal Awards			<u>\$ 4,058,953</u>

* - Programs tested as major programs.

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2011

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a GAAP basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2011.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 20, 2011. We did not audit the Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, the Campbell County Public Properties Corporation, the Lakeside Terrace Apartments HUD Project No. 083-44-12-236, and the A.J. Jolly Park. These were audited by other auditors whose reports thereon have been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Campbell County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Campbell County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Campbell County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Campbell County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Campbell County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Campbell County Fiscal Court, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
December 20, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Stephen R. Allen, CPA/PFS
Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA
Jerry W. Hensley, CPA

J. Carroll Luby, CPA

Report On Compliance with Requirements
That Could Have A Direct And Material Effect On Each Major Program And On
Internal Control Over Compliance In Accordance With OMB Circular A-133

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

Independent Auditor's Report

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. We did not audit the compliance of the Campbell County Housing Choice Voucher Program. Compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to the Campbell County Housing Choice Voucher Program were audited by other auditors. Our opinion presented herein, insofar as it relates to the Campbell County Housing Choice Voucher Program is based solely on the report of other auditors. Campbell County's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell County's compliance with those requirements.

In our opinion based on our report and the reports of other auditors, Campbell County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Report On Compliance with Requirements
That Could Have A Direct And Material Effect On Each Major Program And On
Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Campbell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
December 20, 2011

CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2011

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky.
2. No significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Campbell County are disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The programs tested as major programs were: Housing Choice Voucher Program (CFDA #14.871) and Energy Efficiency and Conservation Block Grant (CFDA #81.128)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

None.

D. PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CAMPBELL COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2011**

Appendix A

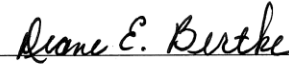
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CAMPBELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Campbell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

